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SUGGESTED GUIDELINES FOR LENDING INSTITUTION DATA RETENTION AND EXTRACTION FOR ELECTRONIC EXAMINATIONS

On October 15, 2009, the Pennsylvania Department of Banking, on behalf of the CSBS/AARMR Multi-State Mortgage Committee (MMC), published a notification to state licensed mortgage lenders entitled Modernization and Enhancement of the Mortgage Examination Process. While this notification is effective for Pennsylvania licensed mortgage lenders, the notification also serves as a pilot project for examination modernization that will be followed by other states in the coming months.

The notification strongly encourages lenders to begin a system readiness review and technology preparation process as soon as possible, with the expectation that all licensees will be able to participate fully in the modernized examination processes no later than early 2011.¹

In order to facilitate the use of advanced technology in the examination process, loan portfolio information should be maintained in a format that allows electronic extraction of information. Institutions following this expectation will benefit from a more streamlined and efficient examination flow. Below are guidelines every licensee should follow in making their systems ready and preparing for electronic extraction of information.

At a minimum, your systems should be capable of retaining and extracting the following data for each loan transaction:

1. Information sufficient to identify the mortgage loan and the unique identifier of the mortgage loan originator, mortgage broker (if applicable), and mortgage lender for the loan.
2. Information sufficient to enable computations of key items in the federal Truth in Lending disclosures, such as the annual percentage rate, finance charge, and a schedule of payments, and any deviations between initial and final disclosures.
3. Information included in the Good Faith Estimate (GFE) disclosure, such as the rate, the date of any interest rate lock, the itemization of amount financed and all broker compensation.
4. Information included in a HUD-1 Settlement Statement.

¹ More information about the modernization initiative can be found in the 2009 MMC Report to State Regulators at this link: <http://www.csbs.org/Content/NavigationMenu/Home/2009MMCREPORTTOSTATEREGULATORSFinal.pdf>

5. Information related to the terms of the loans, such as adjustable rate loan features (including timing of adjustments, indices used in setting rates, maximum and minimum adjustments, floors and ceilings of adjustments), undiscounted interest rate, penalties for late payments, and penalties for prepayment (including computation of penalty amount, duration of prepayment penalty, the maximum amount of penalty).
6. Information typically used in underwriting, such as appraised value of the property, sales price of the property (if a purchase loan), borrowers' income, monthly payment amount, housing debt-to-income ratio, total debt-to-income ratio, and credit score(s) of borrowers.
7. Information included in a Loan Application Register for mortgage lenders required to submit such information pursuant to the federal Home Mortgage Disclosure Act,

Note that pre-built export capabilities may exist for your key technology platforms allowing upload of data directly to RegulatorConnect.org in the appropriate format. If pre-built capabilities do not exist you may wish to contact your technology providers to encourage them to build exports to the necessary format.

If you have received specific upload instructions from a state regulator, you can configure a data extract from your systems by referring to the specifications downloaded from RegulatorConnect.org.

If you are currently employing a vendor program to analyze regulatory compliance (e.g. Mavent, Interthinx, etc.), consider contacting your vendor for possible assistance in the upload of data to RegulatorConnect.org.